

PROVINCE OF SASKATCHEWAN



2008

ANNUAL REPORT

EXTENDED HEALTH
CARE PLAN



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Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the thirteenth Annual Report of the
Extended Health Care Plan for the year ending December 31, 2008.

A handwritten signature in cursive script, appearing to read "Rod Gantefer".

Rod Gantefer
Minister of Finance

The Honourable Rod Gantefer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to
transmit herewith the thirteenth Annual Report of the Extended Health Care
Plan for the year ending December 31, 2008.

A handwritten signature in cursive script, appearing to read "Brian Smith".

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Extended Health Care Plan

Introduction

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to PS/GE SGEU and CUPE 600-3 employees.

As at December 31, 2008, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600-3.

Participating Employers

The following employees participate in The Extended Health Care Plan:

With respect to employees who are members of the Saskatchewan Government and General Employees' Union:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Saskatchewan Archives Board
Saskatchewan Municipal Board

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to employees who are members of the Canadian Union of Public Employees, Local No. 600-3:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Plan pays premiums to Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

Funding

Separate funding agreements are in effect for both PS/GE SGEU and CUPE 600-3 employees.

Funding for PS/GE SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective October 1, 2001, the employer will contribute 1.28% of straight time annual payroll
- effective October 1, 2006, the employer will contribute 1.78% of straight time annual payroll
- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
 - effective September 30, 1996 - 0.07% of straight time annual payroll;
 - effective September 30, 1997 - 0.37% of straight time annual payroll;
 - effective October 1, 1999 - 0.47% of straight time annual payroll;

- effective October 1, 1999 – lump sum contributions \$2 million
- effective October 1, 2001 – lump sum contributions \$3.5 million
- effective October 1, 2004 – lump sum contributions \$6.9 million
- for the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert the .25% funding from the Retiree Plan to the PS/GE SGEU Benefits Plans' Surplus Fund. This amounted to \$1,013,682.
- effective August 1, 2007 to December 31, 2008 and extended to March 31, 2009, the .47% SGEU Benefit Plans' Surplus Funding is being redirected to the Public Employees Dental Plan

Funding for CUPE 600-3 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll
- effective October 1, 2006, the employer will contribute 1.43% of straight time annual payroll
- effective December 28, 2003 to December 31, 2004, the employee contribution rates are \$11.54 per pay period for members paid bi-weekly and \$25.00 per pay period for members paid monthly
- the employees covered by the PSC/CUPE 600-3 Collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
 - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
 - the amount required to make up the difference between the employer's contributions and the cost of monthly

premiums for eligible employees, up to 0.15% of straight time annual payroll

- effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees
- effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll.
- effective January 1, 2005 – lump sum contributions of \$748,070

Benefits

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

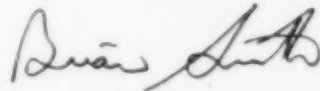
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

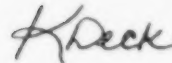
We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 18, 2009

Extended Health Care Plan

Financial Statements

Year Ended December 31, 2008


Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan as at December 31, 2008 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA
Provincial Auditor

Regina, Saskatchewan
February 18, 2009

**Extended Health Care Plan
Statement of Financial Position**

Statement 1

As At December 31

	2008				2007
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
ASSETS					
Due from General Revenue Fund (Note 3)	\$ 2,108	\$1,145,261	\$130,280	\$1,277,649	\$1,122,909
Short-Term Investments (Note 4)	-	3,881,716	247,769	4,129,485	5,918,931
Employer contributions receivable	721,313	183,296	15,556	920,165	868,538
	723,421	5,210,273	393,605	6,327,299	7,910,378
LIABILITIES					
Liabilities:					
Accounts payable and accrued liabilities (Note 7)	7,746	183,429	-	191,175	359,511
Advance from General Revenue Fund (Note 5)	-	-	-	-	275,000
	7,746	183,429	-	191,175	634,511
Net assets (Statement 2)	\$ 715,675	\$ 5,026,844	\$393,605	\$ 6,136,124	\$7,275,867

(See accompanying notes to the financial statements)

**Extended Health Care Plan
Statement of Operations and Net Assets**

Statement 2

For The Year Ended December 31

	2008					2007
	Budget	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
	(Note 8)					
REVENUES						
Employer contributions (Note 1)	\$12,255,000	\$9,292,779	\$2,366,902	\$188,522	\$11,848,203	\$10,785,519
Interest Income (Notes 3 & 4)	273,500	-	178,460	11,806	190,266	288,721
	12,528,500	9,292,779	2,545,362	200,328	12,038,469	11,074,240
EXPENSES						
Insurance premiums	10,560,000	10,705,091	-	-	10,705,091	10,435,915
Interest (Note 3)	1,500	11,615	-	-	11,615	2,715
Administration (Note 7)	120,182	94,604	-	-	94,604	89,693
	10,681,682	10,811,310	-	-	10,811,310	10,528,323
(Deficit) surplus for the year before the following:	1,846,818	(1,518,531)	2,545,362	200,328	1,227,159	545,917
Interfund transfers (Note 1)	-	1,536,000	(1,325,000)	(211,000)	-	-
Transfer to PEDF (Note 1)	(2,455,000)	-	(2,366,902)	-	(2,366,902)	(810,000)
(Deficit) Surplus for the year	(608,182)	17,469	(1,146,540)	(10,672)	(1,139,743)	(264,083)
NET ASSETS, BEGINNING OF YEAR	7,275,867	698,206	6,173,384	404,277	7,275,867	7,539,950
NET ASSETS, END OF YEAR (Statement 1)	\$6,667,685	\$715,675	\$ 5,026,844	\$393,605	\$ 6,136,124	\$ 7,275,867

(See accompanying notes to the financial statements)

**Extended Health Care Plan
Statement of Cash Flows**

Statement 3

For The Year Ended December 31

	2008				2007
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Cash flows from (used in) operating activities:					
Employer contributions received	\$ 9,252,290	\$ -	\$ 187,693	\$ 9,439,983	\$ 10,537,866
PS/GE SGEU Surplus Funds received on behalf of the Dental Fund	-	2,356,593	-	2,356,593	966,220
PS/GE SGEU Surplus Fund paid to the Dental Fund	-	(2,531,365)	-	(2,531,365)	(618,328)
Interest (paid) received	(11,615)	203,308	13,393	205,086	277,813
Insurance premiums paid	(10,704,199)	-	-	(10,704,199)	(10,438,034)
Advance repaid to GRF	(275,000)	-	-	(275,000)	-
Administration expense paid	(99,369)	-	-	(99,369)	(87,015)
Cash flows from (used in) operating activities	(1,837,893)	28,536	201,086	(1,608,271)	638,522
Cash flows from (used in) investing activities:					
Purchase of investments	-	(18,561,361)	(1,184,768)	(19,746,129)	(23,105,182)
Proceeds from disposal of investments	-	20,218,592	1,290,548	21,509,140	23,474,903
Cash flows from (used in) investing activities	-	1,657,231	105,780	1,763,011	369,721
Net (decrease) increase due from General Revenue Fund	(1,837,893)	1,685,767	306,866	154,740	1,008,243
Interfund transfers (Note 1)	1,536,000	(1,325,000)	(211,000)	-	-
Transfer to PEDF (Note 1)	-	-	-	-	(810,000)
	(301,893)	360,767	95,866	154,740	198,243
Due from General Revenue Fund, Beginning of year	304,001	784,494	34,414	1,122,909	924,666
Due from General Revenue Fund, end of year	\$ 2,108	\$ 1,145,261	\$ 130,280	\$ 1,277,649	\$ 1,122,909

(See accompanying notes to the financial statements)

Extended Health Care Plan

Notes to the Financial Statements

December 31, 2008

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600-3 (CUPE) Benefit Plans' Surplus Fund.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.78% of regular payroll for PS/GE SGEU and 1.43% of regular payroll for CUPE members. The contribution rates are established pursuant to PS/GE SGEU and CUPE collective bargaining agreements with the Government.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan pays premiums for eligible employees to the insurance company as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

Benefit Plans' Surplus Funds

The PS/GE SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the PS/GE SGEU and CUPE collective bargaining agreements with the Government. The Surplus Funds receive contributions from employers whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- 0.47% of regular payroll of PS/GE SGEU members
- 0.82% of regular payroll of CUPE members

The purpose of the Surplus Funds is to offset cost increases arising from extended health care benefits and future dental plan enhancements. Enhanced dental benefits are provided to PS/GE SGEU and CUPE members through the Public Employees Dental Fund (PEDF). The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

The Joint Board of Trustees authorized PEBA to transfer adequate resources from the Surplus Funds to the Extended Health Care Fund in order to provide extended health care benefits over the term of the contract with the insurance company. Accordingly, PEBA transferred to the Extended

Health Care Fund \$1,325,000 (2007 - \$1,515,000) and \$211,000 (2007 - \$227,000) from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund respectively.

The Joint Board of Trustees also authorized PEBA to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund to the PEDF in order to provide enhanced dental benefits to participating SGEU and CUPE members to December 31, 2008. Accordingly, PEBA transferred \$0 (2007 - \$700,000) from the PS/GE SGEU Benefit Plans' Surplus Fund and \$0 (2007 - \$110,000) from the CUPE Benefit Plans' Surplus Fund to the PEDF. In addition, the Board authorized that PS/GE SGEU Benefit Plans' Surplus funding of .47% be redirected to the PEDF for the period August 1, 2007 to December 31, 2008 and during the year was extended to March 31, 2009. This amounted to \$2,356,593 during 2008 (2007 - \$966,220).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Change in Accounting Policies

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments - Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments - Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. As this standard only addressed disclosure requirements, there is no change in net assets.

Section 3862 and 3863 replaced Handbook section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Plan's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Plan's net assets.

b) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

c) Interest Revenue

Interest is recognized as income when earned.

d) **Advance from General Revenue Fund**

The advance was repayable on demand and was repaid to the General Revenue Fund during 2008.

e) **Financial Instruments**

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For due from General Revenue Fund and short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

f) **Future Accounting Policy Changes**

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. At that time, the Plan will effectively cease to use Canadian GAAP and will adopt IFRS. The Plan is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements.

3. Due from General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are co-mingled in one bank account. The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's bank account balance is recorded as due from General Revenue Fund to the Benefit Plans' Surplus Funds and to the Extended Health Care Fund separately on the Statement of Financial Position.

The General Revenue Fund calculates interest earned and owing on a quarterly basis using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2008 was 2.57% (2007 – 4.26%).

4. Short-Term Investments

Short-term investments are comprised of commercial paper with an effective interest rate of 3.2% (2007 - 4.8%) with an average remaining term to maturity of 7 days (2007 – 17 days). Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance was repaid during 2008. The advance was interest-free with no fixed maturity date and was repayable on demand.

6. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2008	2007
Due from General Revenue Fund	\$1,277,649	\$1,122,909
Short-term investments	4,129,485	5,918,931
Employer contributions receivable	920,165	868,538
The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.		

The credit risk for short-term investments is managed through a policy that requires investments to meet minimum investment standards as determined by a recognized credit rating agency.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions as these are receivables from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Plan is exposed to changes in interest rates on its short-term investments.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short-term to maturity.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contributions receivable are from related parties. Also, in 2008, PEBA charged the Plan \$94,604 (2007 - \$89,693) for administration expenses. Included in accounts payable and accrued liabilities is \$2,500 (2007 - \$7,265) due to PEBA and \$183,429 (2007 - \$347,892) payable to the Public Employees Dental Fund.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees.



